



CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2004

09-1070

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Hampton	County Bay
Audit Date December 31, 2004	Opinion Date February 3, 2005	Date Accountant Report Submitted to State: April 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

February 3, 2005

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Township of Hampton, Bay County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Hampton, Bay County, Michigan as of December 31, 2004, and the respective changes in financial position, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

The Management's Discussion and Analysis report for the Charter Township of Hampton covers the Township's financial performance during the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

Our financial status remained approximately the same over the last year. Net assets at 12/31/2004 totaled \$3,440,397.41 for all funds. Overall total net assets decreased by \$50,142.40 for the year 2004.

General Fund revenues were \$3,636,884.24; this was a net increase of \$56,669.41 over 2003 which includes a 9% reduction in state revenue sharing monies.

Taxable value increased in 2004 by \$69,679.88 or 4%.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenditures regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has Governmental Funds. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township blacktopped approximately one (1) mile of roadway at a cost of \$230,763.96 with a specially voted millage; and established a special assessment district for Oak Island Estates; purchased \$96,783.34 worth of equipment for the transfer station, Department of Public Works, Fire Department and Police Department and purchased three (3) parcels of property on Callahan Road for a "pocket park" with general fund millage.

Our external debt for the Rosemary Court General Obligation Limited Tax Bonds has two payments remaining in the amount of \$28,560.00; land purchased in 1999 with a bank loan has a remaining amount owing of \$8,087.20 and will be paid off in November of 2005; and one payment of \$41,170.00 is owed on the fire truck purchase in 2000.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township services with the exception of the blacktopping of the roads. The most significant costs to the Township are the Department of Public Works, the Police Department and the Fire Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$108,783.34 in capital assets.

The Township's governmental activities paid off \$50,375.99 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is much clouded and it represents 20% of our income. We continue to grow at a 4% rate in taxable value with no demand for infrastructure.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Township Treasurer or Township Clerk at 989-893-7541 or e-mail us through our website at www.hamptontownship.org.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 293 129 93
Cash on hand	565 00
Investments	1 269 532 37
Taxes receivable	2 122 737 15
Accounts receivable	271 511 14
Special assessments receivable	<u>28 507 56</u>
Total Current Assets	<u>4 985 983 15</u>
NONCURRENT ASSETS:	
Capital Assets	4 644 925 64
Less: Accumulated Depreciation	<u>(2 503 751 54)</u>
Total Noncurrent Assets	<u>2 141 174 10</u>
TOTAL ASSETS	<u><u>7 127 157 25</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	549 811 34
Deposits	36 582 11
Deferred revenue	<u>2 852 462 79</u>
Total Current Liabilities	<u>3 438 856 24</u>
NONCURRENT LIABILITIES:	
Bonds payable	26 500 00
Contracts payable	47 865 23
Accrued compensated absences	<u>173 538 37</u>
Total Noncurrent Liabilities	<u>247 903 60</u>
Total Liabilities	<u>3 686 759 84</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2 093 308 87
Restricted	383 60
Unrestricted	<u>1 346 704 94</u>
Total Net Assets	<u>3 440 397 41</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>7 127 157 25</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2004

		Program Revenue		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants - Contributions	
FUNCTIONS/PROGRAMS	Expenses			
Governmental Activities:				
Legislative	75 920 29	-	-	(75 920 29)
General government	609 142 65	96 211 53	-	(512 931 12)
Public safety	1 790 862 31	174 619 47	9 992 00	(1 606 250 84)
Public works	1 442 125 82	429 018 01	-	(1 013 107 81)
Recreation and culture	61 702 64	54 188 50	-	(7 514 14)
Other	303 300 15	-	-	(303 300 15)
Interest on long-term debt	15 850 95	14 124 08	-	(1 726 87)
Total Governmental Activities	<u>4 298 904 81</u>	<u>768 161 59</u>	<u>9 992 00</u>	<u>(3 520 751 22)</u>
General Revenues:				
Property taxes				2 632 833 46
State revenue sharing				720 663 02
Interest				50 212 94
Miscellaneous				<u>66 899 40</u>
Total General Revenues				<u>3 470 608 82</u>
Change in net assets				(50 142 40)
Net assets, beginning of year				<u>3 490 539 81</u>
Net Assets, End of Year				<u>3 440 397 41</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2004

	<u>General</u>	<u>Downtown Development Authority</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	778 370 68	478 228 53	32 507 87	1 289 107 08
Cash on hand	565 00	-	-	565 00
Investments	467 371 79	190 162 58	134 998 18	792 532 55
Accounts receivable	271 511 14	-	-	271 511 14
Due from other funds	2 256 735 93	147 337 88	285 219 37	2 689 293 18
Special assessments receivable	-	-	28 507 56	28 507 56
Total Assets	<u>3 774 554 54</u>	<u>815 728 99</u>	<u>481 232 98</u>	<u>5 071 516 51</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	549 804 59	-	6 75	549 811 34
Deposits	36 582 11	-	-	36 582 11
Due to other funds	-	-	85 533 36	85 533 36
Deferred revenue – water	104 831 45	-	-	104 831 45
Deferred revenue – property taxes	2 273 766 29	160 138 12	285 219 37	2 719 123 78
Deferred revenue – special assessments	-	-	28 507 56	28 507 56
Total liabilities	<u>2 964 984 44</u>	<u>160 138 12</u>	<u>399 267 04</u>	<u>3 524 389 60</u>
Fund equity:				
Fund balances:				
Reserved for restricted grants	179 03	-	-	179 03
Reserved for debt service	-	-	204 57	204 57
Unreserved:				
Undesignated	809 391 07	655 590 87	81 761 37	1 546 743 31
Total fund equity	<u>809 570 10</u>	<u>655 590 87</u>	<u>81 965 94</u>	<u>1 547 126 91</u>
Total Liabilities and Fund Equity	<u>3 774 554 54</u>	<u>815 728 99</u>	<u>481 232 98</u>	<u>5 071 516 51</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 547 126 91
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	4 644 925 64
Accumulated depreciation	(2 503 751 54)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(26 500 00)
Contracts payable	(47 865 23)
Accrued compensated absences	<u>(173 538 37)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>3 440 397 41</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended December 31, 2004

	<u>General</u>	<u>Downtown Development Authority</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	2 215 175 26	155 247 04	262 411 16	2 632 833 46
Licenses and permits	96 211 53	-	174 619 47	270 831 00
Federal grant	9 992 00	-	-	9 992 00
State revenue sharing	720 663 02	-	-	720 663 02
Charges for services	429 018 01	-	-	429 018 01
Interest	44 736 52	3 791 69	1 684 73	50 212 94
Special assessments	-	-	14 124 08	14 124 08
Miscellaneous	121 087 90	-	-	121 087 90
Total revenues	<u>3 636 884 24</u>	<u>159 038 73</u>	<u>452 839 44</u>	<u>4 248 762 41</u>
Expenditures:				
Legislative:				
Township Board	75 920 29	-	-	75 920 29
General government:				
Supervisor	70 593 95	-	-	70 593 95
Elections	11 031 39	-	-	11 031 39
Accounting department	133 808 02	-	-	133 808 02
Assessor	133 302 57	-	-	133 302 57
Attorney	37 060 52	-	-	37 060 52
Consultant	8 269 70	-	-	8 269 70
Clerk	69 006 52	-	-	69 006 52
Geographic information system	636 87	-	-	636 87
Board of Review	1 323 89	-	-	1 323 89
Treasurer	56 964 66	-	-	56 964 66
Township hall and grounds	26 831 14	-	-	26 831 14
Citizens community building	36 920 56	-	-	36 920 56
Public relations	689 81	-	-	689 81
Public safety:				
Police department	835 422 10	-	-	835 422 10
Fire department	678 701 85	-	-	678 701 85
Building inspection	-	-	177 948 37	177 948 37
Planning Commission	8 400 94	-	-	8 400 94
Board of Appeals	3 660 99	-	-	3 660 99
Public works:				
Department of Public Works	522 621 65	-	-	522 621 65
Drains	9 519 30	-	-	9 519 30
Highways and streets	26 332 37	-	230 757 23	257 089 60
Engineering	11 216 75	-	-	11 216 75
Street lighting	91 918 35	-	-	91 918 35
Sanitation	109 547 32	-	-	109 547 32
Sewer	119 993 79	-	-	119 993 79
Water	245 773 58	-	-	245 773 58
Land	25 020 00	-	-	25 020 00
Economic development	7 395 00	-	-	7 395 00

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2004

	<u>General</u>	<u>Downtown Development Authority</u>	<u>Other Funds</u>	<u>Total</u>
Recreation and culture:				
Recreation – parks	29 440 65	-	-	29 440 65
Recreation – parks – other	5 991 42	-	-	5 991 42
Rail Trail	1 141 57	-	-	1 141 57
Other functions:				
Downtown Development Authority	-	65 604 77	-	65 604 77
Insurance	113 119 10	-	-	113 119 10
Retirement benefits	124 576 28	-	-	124 576 28
Capital outlay	108 783 34	-	-	108 783 34
Debt service	52 282 40	-	13 944 54	66 226 94
Total expenditures	<u>3 793 218 64</u>	<u>65 604 77</u>	<u>422 650 14</u>	<u>4 281 473 55</u>
Excess (deficiency) of revenues over expenditures	<u>(156 334 40)</u>	<u>93 433 96</u>	<u>30 189 30</u>	<u>(32 711 14)</u>
Other financing sources (uses):				
Operating transfers in	4 876 60	-	-	4 876 60
Operating transfers out	-	-	(4 876 60)	(4 876 60)
Total other financing sources (uses)	<u>4 876 60</u>	<u>-</u>	<u>(4 876 60)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(151 457 80)</u>	<u>93 433 96</u>	<u>25 312 70</u>	<u>(32 711 14)</u>
Fund balances, January 1	<u>961 027 90</u>	<u>562 156 91</u>	<u>56 653 24</u>	<u>1 579 838 05</u>
Fund Balances, December 31	<u><u>809 570 10</u></u>	<u><u>655 590 87</u></u>	<u><u>81 965 94</u></u>	<u><u>1 547 126 91</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2004

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (32 711 14)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(176 590 59)
Capital Outlay	108 783 34

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>50 375 99</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(50 142 40)</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Hampton, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Hampton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General and Special Revenue Funds

The General Fund, the Road Fund, the Downtown Development Authority Fund and the Building Department Fund, receive and account for the monies collected to provide the general governmental services of the Township. The General Fund is used to account for all transactions not properly accounted for in any other fund. The Road Fund accounts for property taxes levied for the Township road maintenance. The Downtown Development Authority is a separate component unit that is an integral part of the Charter Township of Hampton and it is therefore reported under the blending method as a special revenue fund that was established pursuant to Act 197 of the Public Acts of 1975, to promote economic growth within the Township. The Building Department Fund accounts for building permits and the related expenses.

Debt Service Funds

The Chapter 20 Drain Fund and the Rosemary Court Debt Service Fund were established to collect property taxes and special assessments levied to meet the payments of the debts. Taxes and special assessments are levied each year in sufficient amounts to meet the required payments and are deposited in those funds as collected. Subsequently, the principal and interest payments are made when due. Interest earned on temporary investment of these monies is retained within the funds to reduce further tax requirements.

Agency Funds

The Current Tax Collection Fund and the Agency Fund have been established to account for monies which are held by the Township as agent for other governmental entities, funds or individuals. The Current Tax Collection Fund receives tax collections and disburses the amount collected to the proper fund or governmental entity. The Agency Fund receives delinquent property taxes and mobile home court fees and disburses these to the proper fund or governmental entity. These funds do not have revenues, expenditures or fund balances because by their nature their assets always equal their liabilities.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 5.65 mills, and the taxable value was \$425,515,002.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-50 years
Vehicles and equipment	3-25 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Township's governmental funds is recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Township provides health care benefits to retirees in accordance with labor contracts. Currently, eleven retirees are eligible. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. These benefits are paid from the General Fund and were \$124,576.28 during the year ended December 31, 2004.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change

Effective January 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$2,141,174.10.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated twelve banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 293 129 93</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	805 061 87
Uninsured and Uncollateralized	<u>502 757 61</u>
Total Deposits	<u>1 307 819 48</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 3 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>2 153 961 70</u>
Total Investments				<u>2 153 961 70</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/04</u>
<u>Governmental Activities:</u>				
Land and improvements	1 281 532 00	1 663 20	-	1 283 195 20
Buildings and improvements	962 162 00	12 000 00	-	974 162 00
Vehicles and equipment	<u>2 350 231 82</u>	<u>95 120 14</u>	<u>57 783 52</u>	<u>2 387 568 44</u>
Total	4 593 925 82	108 783 34	57 783 52	4 644 925 64
Accumulated Depreciation	<u>(2 327 160 95)</u>	<u>(176 590 59)</u>	-	<u>(2 503 751 54)</u>
Net Capital Assets	<u>2 266 764 87</u>	<u>(67 807 25)</u>	<u>57 783 52</u>	<u>2 141 174 10</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 256 735 93	Building	85 533 36
		Agency	4 022 85
		Current Tax Collection	<u>2 167 179 72</u>
	<u>2 256 735 93</u>		<u>2 256 735 93</u>
Downtown Development Authority	<u>147 337 88</u>	Current Tax Collection	<u>147 337 88</u>
Road	<u>270 984 93</u>	Current Tax Collection	<u>270 984 93</u>
Rosemary Court Debt Service	<u>14 234 44</u>	Current Tax Collection	<u>14 234 44</u>
Total	<u>2 689 293 18</u>	Total	<u>2 689 293 18</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/04</u>
Rosemary Court general obligation limited tax bonds	38 500 00	-	12 000 00	26 500 00
Contracts payable:				
Land	16 010 16	-	8 144 93	7 865 23
Fire truck	80 000 00	-	40 000 00	40 000 00
Accumulated vacation and sick pay	<u>163 769 43</u>	<u>9 768 94</u>	<u>-</u>	<u>173 538 37</u>
Total	<u>298 279 59</u>	<u>9 768 94</u>	<u>60 144 93</u>	<u>247 903 60</u>

Note 7 – Rosemary Court General Obligation Limited Tax Bonds

On October 2, 1996, the Charter Township of Hampton issued \$151,860.00 of bonds for the purpose of constructing street improvements, storm sewer, sanitary sewer and a water main along Rosemary Court. The entire cost of the principal and interest on the bonds has been assessed against the individual properties through the Rosemary Court special assessment district. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total Amount</u>
4/1/05	5.15	1 364 75	13 000 00	14 364 75
4/1/06	5.15	<u>695 25</u>	<u>13 500 00</u>	<u>14 195 25</u>
Totals		<u>2 060 00</u>	<u>26 500 00</u>	<u>28 560 00</u>

Note 8 – Contracts Payable

Contract Payable – Land: During 1999, the Township purchased land with a bank loan in the amount of \$45,000.00. Monthly payments of \$735.20 including interest at 5.50% are due through November, 2005.

Contract Payable – Fire Truck: On April 10, 2000, the Township obtained a \$189,000.00 loan to partially fund the purchase of a fire truck. Semi-annual payments are due through March 1, 2005, including interest at the rate of 5.6% per annum.

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 10 – Retirement Plan

The Township has a defined contribution pension plan that covers all Township Board members and full-time employees of the Township. The Township's current year covered payroll was \$1,678,894.18 and its total current year payroll for all employees was \$1,863,987.40. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week plus Township Board members are covered under the plan. The Township contributes 10% to 15% of each employee's compensation and the employee can contribute additional amounts. All participants covered are immediately vested. The Township's contribution requirement for the year ended December 31, 2004, was \$216,837.22 which was entirely paid during the year. This contribution represents 12.92% of the current year covered payroll. Employee contributions for the year ended December 31, 2004, were \$104,689.28 which was entirely paid during the year. This represents 6.23% of the current year covered payroll.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Reserved Fund Balances

The fund balance in the General Fund includes a reservation for police training of \$179.03. The fund balances in the Debt Service Funds include a reservation for the retirement of the general long-term debt.

Note 13 – Building Permits

As of December 31, 2004, the Township had building permit revenues of \$175,647.49 and building permit expenses of \$177,948.37.

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	2 216 197 00	2 216 197 00	2 215 175 26	(1 021 74)
Licenses and permits	85 890 00	85 890 00	96 211 53	10 321 53
Federal grant	-	-	9 992 00	9 992 00
State revenue sharing	810 800 00	810 800 00	720 663 02	(90 136 98)
Charges for services	225 300 00	225 300 00	429 018 01	203 718 01
Interest	46 600 00	46 600 00	44 736 52	(1 863 48)
Miscellaneous	118 673 00	118 673 00	121 087 90	2 414 90
Total revenues	3 503 460 00	3 503 460 00	3 636 884 24	133 424 24
Expenditures:				
Legislative:				
Township Board	80 254 00	81 204 00	75 920 29	(5 283 71)
General government:				
Supervisor	73 613 00	73 613 00	70 593 95	(3 019 05)
Elections	13 225 00	13 225 00	11 031 39	(2 193 61)
Accounting department	188 510 00	188 510 00	133 808 02	(54 701 98)
Assessor	183 890 00	183 890 00	133 302 57	(50 587 43)
Attorney	35 000 00	50 000 00	37 060 52	(12 939 48)
Consultant	25 000 00	25 000 00	8 269 70	(16 730 30)
Clerk	71 323 00	71 323 00	69 006 52	(2 316 48)
Geographic information system	2 100 00	2 100 00	636 87	(1 463 13)
Board of Review	1 825 00	1 825 00	1 323 89	(501 11)
Treasurer	59 572 00	59 572 00	56 964 66	(2 607 34)
Township hall and grounds	38 909 00	38 909 00	26 831 14	(12 077 86)
Citizens community building	39 954 00	39 954 00	36 920 56	(3 033 44)
Public relations	3 900 00	3 900 00	689 81	(3 210 19)
Public safety:				
Police department	936 005 00	936 005 00	835 422 10	(100 582 90)
Fire department	697 903 00	699 253 00	678 701 85	(20 551 15)
Planning Commission	14 420 00	14 420 00	8 400 94	(6 019 06)
Board of Appeals	7 100 00	7 100 00	3 660 99	(3 439 01)
Department of Public Works	528 289 00	540 094 00	522 621 65	(17 472 35)
Drains	54 000 00	54 000 00	9 519 30	(44 480 70)
Highways and streets	25 000 00	26 603 00	26 332 37	(270 63)
Engineering	15 000 00	15 000 00	11 216 75	(3 783 25)
Street lighting	96 000 00	96 000 00	91 918 35	(4 081 65)
Sanitation	127 538 00	120 623 00	109 547 32	(11 075 68)
Sewer	131 472 00	146 472 00	119 993 79	(26 478 21)
Water	366 305 00	366 305 00	245 773 58	(120 531 42)
Land	1 200 00	26 686 00	25 020 00	(1 666 00)
Economic development	8 800 00	8 800 00	7 395 00	(1 405 00)
Recreation and culture:				
Recreation – parks	32 973 00	34 060 00	29 440 65	(4 619 35)
Recreation – parks – other	8 300 00	8 300 00	5 991 42	(2 308 58)
Rail Trail	1 850 00	1 850 00	1 141 57	(708 43)

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Expenditures: (continued)				
Other functions:				
Insurance	115 000 00	115 000 00	113 119 10	(1 880 90)
Retirement benefits	135 000 00	135 000 00	124 576 28	(10 423 72)
Contingency	294 552 00	225 923 00	-	(225 923 00)
Capital outlay	146 750 00	150 013 00	108 783 34	(41 229 66)
Debt service	<u>54 600 00</u>	<u>54 600 00</u>	<u>52 282 40</u>	<u>(2 317 60)</u>
Total expenditures	<u>4 615 132 00</u>	<u>4 615 132 00</u>	<u>3 793 218 64</u>	<u>(821 913 36)</u>
Excess (deficiency) of revenues over expenditures	<u>(1 111 672 00)</u>	<u>(1 111 672 00)</u>	<u>(156 334 40)</u>	<u>955 337 60</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>4 876 60</u>	<u>4 876 60</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4 876 60</u>	<u>4 876 60</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1 111 672 00)</u>	<u>(1 111 672 00)</u>	<u>(151 457 80)</u>	<u>960 214 20</u>
Fund balances, January 1	<u>1 111 672 00</u>	<u>1 111 672 00</u>	<u>961 027 90</u>	<u>(150 644 10)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>809 570 10</u>	<u>809 570 10</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT AUTHORITY FUND
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	155 121 00	155 121 00	155 247 04	126 04
Interest	<u>3 200 00</u>	<u>3 200 00</u>	<u>3 791 69</u>	<u>591 69</u>
Total revenues	<u>158 321 00</u>	<u>158 321 00</u>	<u>159 038 73</u>	<u>717 73</u>
Expenditures:				
Other functions:				
Downtown Development Authority	93 500 00	93 500 00	65 604 77	(27 895 23)
Capital outlay	<u>573 352 00</u>	<u>573 352 00</u>	<u>-</u>	<u>(573 352 00)</u>
Total expenditures	<u>666 852 00</u>	<u>666 852 00</u>	<u>65 604 77</u>	<u>(601 247 23)</u>
Excess (deficiency) of revenues over expenditures	(508 531 00)	(508 531 00)	93 433 96	601 964 96
Fund balance, January 1	<u>508 531 00</u>	<u>508 531 00</u>	<u>562 156 91</u>	<u>53 625 91</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>655 590 87</u>	<u>655 590 87</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND REVENUES BY DETAILED ACCOUNT
Year ended December 31, 2004

Revenues:

Property taxes:

Current year's tax levy	2 008 239 27
Administration fees	195 989 49
P.I.L.O.T.	10 946 50
	<u>2 215 175 26</u>

Licenses and permits:

Mobile home court fees	2 309 50
Cable T.V. fees	72 688 40
Ordinance fees	14 126 63
Other permits	7 087 00
	<u>96 211 53</u>

Federal grant

9 992 00

State revenue sharing:

Revenue sharing	711 798 00
State grant	3 455 77
Liquor license fees	5 409 25
	<u>720 663 02</u>

Charges for services:

Frontage and tap on fees	149 705 00
Service charges on billings	95 920 41
Sales – bulk water	2 256 90
Charges for services – miscellaneous	3 424 04
Charges for other units	21 563 63
Water rate adjustments	156 148 03
	<u>429 018 01</u>

Interest

44 736 52

Miscellaneous:

Hall rental	5 650 00
Park	54 188 50
Duplicating copies	3 862 87
Royalties	2 791 06
Other	54 595 47
	<u>121 087 90</u>

Total Revenues

3 636 884 24

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Township Board:

Trustee fees	25 516 02
Social security tax	1 952 09
Group health insurance	17 332 74
Group life insurance	726 36
Retirement fund contribution	4 219 83
Miscellaneous	3 982 97
Audit fees	11 970 00
Memberships and dues	5 149 52
Printing and publishing	2 570 76
Aid to schools	2 500 00
	<u>75 920 29</u>

Supervisor:

Salaries	44 687 99
Social security tax	3 418 28
Group health insurance	12 965 77
Sickness and accident insurance	550 70
Memberships and dues	459 00
Group life insurance	331 92
Retirement fund contribution	6 305 78
Travel and education	1 874 51
	<u>70 593 95</u>

Elections:

Salaries	7 770 00
Office supplies	3 261 39
	<u>11 031 39</u>

Accounting department:

Salaries	64 582 58
Social security tax	4 940 57
Unemployment insurance	287 99
Sick and accident insurance	514 14
Group health insurance	20 315 12
Group life insurance	258 84
Retirement fund contribution	12 414 22
Travel	129 96
Water and sewer rate arbitration	527 25
Office supplies	9 887 17
Telephone	3 400 28
Equipment contracts	9 802 55
Miscellaneous	6 747 35
	<u>133 808 02</u>

Assessor:

Salaries	91 881 47
Social security tax	7 202 10
Unemployment insurance	216 00
Group health insurance	11 413 25
Sickness and accident insurance	788 98
Group life insurance	133 08
Retirement fund contribution	12 998 22
Office supplies	672 43

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Assessor: (continued)	
Contracted services	1 260 00
Education	459 00
Travel	376 19
Memberships and dues	1 628 45
Tax roll preparation	4 273 40
	<u>133 302 57</u>
Attorney:	
Legal fees	<u>37 060 52</u>
Consultant:	
Professional fees	<u>8 269 70</u>
Clerk:	
Salaries	44 968 00
Social security tax	3 407 82
Group health insurance	12 654 94
Sickness and accident insurance	560 00
Group life insurance	81 72
Retirement fund contribution	6 766 33
Travel and education	442 71
Memberships and dues	125 00
	<u>69 006 52</u>
Geographic information system:	
Supplies	147 99
Contracted services	488 88
	<u>636 87</u>
Board of Review:	
Fees and per diem	1 010 00
Social security tax	77 28
Miscellaneous	236 61
	<u>1 323 89</u>
Treasurer:	
Salaries	44 968 00
Social security tax	3 437 78
Group health insurance	1 000 00
Sickness and accident insurance	550 70
Group life insurance	331 92
Retirement fund contribution	6 427 25
Memberships and dues	100 00
Travel and education	149 01
	<u>56 964 66</u>
Township hall and grounds:	
Salaries	10 593 45
Social security tax	810 66
Unemployment insurance	100 57
Operating supplies	2 534 86
Equipment maintenance	582 73
Utilities	10 420 85
Building maintenance	1 788 02
	<u>26 831 14</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Citizens community building:

Salaries	19 849 00
Social security tax	1 534 68
Group health insurance	5 370 18
Sickness and accident insurance	72 00
Life insurance	40 90
Retirement fund contribution	2 711 26
Supplies	927 59
Equipment maintenance	5 153 09
Utilities	1 261 86
	<hr/>
	36 920 56

Public relations:

Community promotion	<hr/>
	689 81

Police department:

Salaries	546 375 57
Social security tax	40 988 37
Unemployment insurance	1 685 98
Group health insurance	109 997 09
Sickness and accident insurance	5 338 04
Group life insurance	637 71
Retirement fund contribution	64 274 62
Education	3 134 63
Operating supplies	19 999 47
Contracted services	3 122 25
Uniforms	4 216 96
Office supplies	1 873 59
Auto parts and maintenance	6 367 36
Equipment maintenance	4 624 92
Memberships and dues	418 67
Telephone	4 184 77
Legal	8 716 45
Utilities	5 129 05
Building maintenance	1 585 57
Miscellaneous	2 751 03
	<hr/>
	835 422 10

Fire department:

Salaries – regular	409 753 81
Salaries – part-time	65 280 51
Social security tax	36 594 22
Unemployment insurance	1 008 00
Group health insurance	73 838 50
Sickness and accident insurance	3 769 37
Group life insurance	908 20
Retirement fund contribution	47 472 62
Education	2 326 80
Uniforms	3 751 14
Supplies	989 79
Operating supplies	9 346 31
Equipment maintenance	5 483 34
Contracted services	1 760 81

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Fire department: (continued)

Memberships and dues	500 00
Telephone	3 963 80
Travel	2 236 91
Utilities	6 796 18
Building maintenance	668 53
Miscellaneous	2 253 01
	<u>678 701 85</u>

Planning Commission:

Fees and per diem	2 135 00
Social security tax	163 36
Office supplies	386 85
Memberships and dues	300 00
Legal fees	5 107 73
Printing and publishing	308 00
	<u>8 400 94</u>

Board of Appeals:

Fees and per diem	1 540 00
Social security tax	117 83
Office supplies	141 16
Legal fees	1 462 00
Memberships and dues	400 00
	<u>3 660 99</u>

Department of Public Works:

Salaries	295 614 89
Social security tax	15 342 41
Unemployment insurance	1 198 68
Group health insurance	55 018 52
Sickness and accident insurance	3 322 04
Group life insurance	686 31
Retirement fund contribution	40 393 89
Supplies	56 308 72
Uniforms	868 33
Contracted services	21 112 39
Telephone	2 719 36
Utilities	9 447 04
Building maintenance	4 031 54
Equipment maintenance	6 168 67
Dike maintenance	3 069 95
Equipment rental	25 00
Miscellaneous	7 293 91
	<u>522 621 65</u>

Drains:

Supplies	183 89
Contracted services	9 335 41
	<u>9 519 30</u>

Highways and streets:

Road maintenance	<u>26 332 37</u>
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Engineering:

Engineering fees	<u>11 216 75</u>
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CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Street lighting:	
Utilities	<u>91 918 35</u>
Sanitation:	
Salaries	14 208 93
Social security tax	1 065 88
Unemployment insurance	134 81
Group health insurance	13 219 06
Sickness and accident insurance	179 43
Life insurance	331 92
Supplies	419 80
Contracted services	77 679 00
Telephone	269 58
Utilities	<u>2 038 91</u>
	<u>109 547 32</u>
Sewer:	
Wages	42 585 86
Social security tax	3 254 24
Group health insurance	9 869 02
Life insurance	158 04
Retirement fund contribution	6 168 16
Supplies	7 124 44
Contracted services	1 160 00
Utilities	25 822 55
Main maintenance	<u>23 851 48</u>
	<u>119 993 79</u>
Water:	
Wages	45 882 09
Social security tax	3 506 36
Group health insurance	13 526 30
Life insurance	73 77
Retirement fund contribution	5 977 36
Water meter replacement	156 148 03
Miscellaneous	2 824 78
Supplies	11 275 42
Contracted services	4 404 47
Utilities	<u>2 155 00</u>
	<u>245 773 58</u>
Land:	
Miscellaneous	<u>25 020 00</u>
Economic development	<u>7 395 00</u>
Recreation – parks:	
Salaries	8 681 40
Social security tax	664 04
Unemployment insurance	138 90
Supplies	6 126 40
Contracted services	492 00
Utilities	13 327 96
Miscellaneous	<u>9 95</u>
	<u>29 440 65</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Recreation – parks – other:	
Supplies	1 912 08
Utilities	1 108 37
Contracted services	<u>2 970 97</u>
	<u>5 991 42</u>
Rail Trail:	
Miscellaneous	<u>1 141 57</u>
Insurance	<u>113 119 10</u>
Retirement benefits:	
Hospitalization	<u>124 576 28</u>
Capital outlay	<u>108 783 34</u>
Debt service	<u>52 282 40</u>
Total Expenditures	<u><u>3 793 218 64</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
December 31, 2004

	<u>Road</u>	<u>Downtown Development Authority</u>	<u>Building Department</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	32 303 30	478 228 53	-	510 531 83
Investments	-	190 162 58	134 998 18	325 160 76
Due from other funds	<u>270 984 93</u>	<u>147 337 88</u>	<u>-</u>	<u>418 322 81</u>
Total Assets	<u><u>303 288 23</u></u>	<u><u>815 728 99</u></u>	<u><u>134 998 18</u></u>	<u><u>1 254 015 40</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	6 75	-	-	6 75
Due to other funds	-	-	85 533 36	85 533 36
Deferred revenue – property taxes	<u>270 984 93</u>	<u>160 138 12</u>	<u>-</u>	<u>431 123 05</u>
Total liabilities	<u><u>270 991 68</u></u>	<u><u>160 138 12</u></u>	<u><u>85 533 36</u></u>	<u><u>516 663 16</u></u>
Fund balances:				
Unreserved:				
Undesignated	<u>32 296 55</u>	<u>655 590 87</u>	<u>49 464 82</u>	<u>737 352 24</u>
Total fund balances	<u><u>32 296 55</u></u>	<u><u>655 590 87</u></u>	<u><u>49 464 82</u></u>	<u><u>737 352 24</u></u>
Total Liabilities and Fund Balances	<u><u>303 288 23</u></u>	<u><u>815 728 99</u></u>	<u><u>134 998 18</u></u>	<u><u>1 254 015 40</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended December 31, 2004

	<u>Road</u>	<u>Downtown Development Authority</u>	<u>Building Department</u>	<u>Total</u>
Revenues:				
Property taxes	260 988 11	155 247 04	-	416 235 15
P.I.L.O.T.	1 423 05	-	-	1 423 05
Licenses and permits	-	-	174 619 47	174 619 47
Interest	<u>642 62</u>	<u>3 791 69</u>	<u>1 028 02</u>	<u>5 462 33</u>
Total revenues	<u>263 053 78</u>	<u>159 038 73</u>	<u>175 647 49</u>	<u>597 740 00</u>
Expenditures:				
Public safety:				
Building inspection	-	-	177 948 37	177 948 37
Public works:				
Highways and streets	230 757 23	-	-	230 757 23
Other functions:				
Downtown Development Authority	<u>-</u>	<u>65 604 77</u>	<u>-</u>	<u>65 604 77</u>
Total expenditures	<u>230 757 23</u>	<u>65 604 77</u>	<u>177 948 37</u>	<u>474 310 37</u>
Excess (deficiency) of revenues over expenditures	32 296 55	93 433 96	(2 300 88)	123 429 63
Fund balances, January 1	<u>-</u>	<u>562 156 91</u>	<u>51 765 70</u>	<u>613 922 61</u>
Fund Balances, December 31	<u><u>32 296 55</u></u>	<u><u>655 590 87</u></u>	<u><u>49 464 82</u></u>	<u><u>737 352 24</u></u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS
December 31, 2004

	<u>Chapter 20 Drain</u>	<u>Rosemary Court</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	-	204 57	204 57
Due from other funds	-	14 234 44	14 234 44
Special assessments receivable – deferred	-	28 507 56	28 507 56
Total Assets	-	42 946 57	42 946 57
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Deferred revenue – property taxes	-	14 234 44	14 234 44
Deferred revenue – special assessments	-	28 507 56	28 507 56
Total liabilities	-	42 742 00	42 742 00
Fund balances:			
Reserved for debt service	-	204 57	204 57
Total fund balances	-	204 57	204 57
Total Liabilities and Fund Balances	-	42 946 57	42 946 57

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
ALL DEBT SERVICE FUNDS
Year ended December 31, 2004

	<u>Chapter 20 Drain</u>	<u>Rosemary Court</u>	<u>Total</u>
Revenues:			
Interest	14 09	-	14 09
Special assessments	-	14 124 08	14 124 08
Total revenues	14 09	14 124 08	14 138 17
Expenditures:			
Debt service	-	13 944 54	13 944 54
Total expenditures	-	13 944 54	13 944 54
Excess of revenues over expenditures	14 09	179 54	193 63
Other financing sources (uses):			
Operating transfers out	(4 876 60)	-	(4 876 60)
Total other financing sources (uses)	(4 876 60)	-	(4 876 60)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4 862 51)	179 54	(4 682 97)
Fund balances, January 1	4 862 51	25 03	4 887 54
Fund Balances, December 31	-	204 57	204 57

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING BALANCE SHEET - ALL AGENCY FUNDS
December 31, 2004

	<u>Current Tax Collection Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank:			
Demand deposits	-	4 022 85	4 022 85
Investments	1 361 429 15	-	1 361 429 15
Taxes receivable	6 138 816 97	-	6 138 816 97
Total Assets	<u>7 500 246 12</u>	<u>4 022 85</u>	<u>7 504 268 97</u>
<u>Liabilities</u>			
Liabilities:			
Due to General Fund	2 167 179 72	4 022 85	2 171 202 57
Due to Downtown Development Authority Fund	147 337 88	-	147 337 88
Due to Rosemary Court Debt Service Fund	14 234 44	-	14 234 44
Due to Road Fund	270 984 93	-	270 984 93
Due to Bay County	4 380 980 80	-	4 380 980 80
Due to Bay Metro	312 164 64	-	312 164 64
Due to Delta College	26 486 69	-	26 486 69
Due to Bay Arenac Intermediate School District	75 804 42	-	75 804 42
Due to Essexville-Hampton School District	29 819 38	-	29 819 38
Due to Bay City School District	74 911 09	-	74 911 09
Due to others	342 13	-	342 13
Total Liabilities	<u>7 500 246 12</u>	<u>4 022 85</u>	<u>7 504 268 97</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended December 31, 2004

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank and investments	960 565 85	18 272 985 40	17 872 122 10	1 361 429 15
Taxes receivable	<u>5 817 789 16</u>	<u>18 939 107 20</u>	<u>18 618 079 39</u>	<u>6 138 816 97</u>
Total Assets	<u>6 778 355 01</u>	<u>37 212 092 60</u>	<u>36 490 201 49</u>	<u>7 500 246 12</u>
<u>Liabilities</u>				
Due to other units	4 423 670 03	15 916 461 26	15 439 622 14	4 900 509 15
Due to other funds	<u>2 354 684 98</u>	<u>2 677 551 95</u>	<u>2 432 499 96</u>	<u>2 599 736 97</u>
Total Liabilities	<u>6 778 355 01</u>	<u>18 594 013 21</u>	<u>17 872 122 10</u>	<u>7 500 246 12</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>4 022 85</u>	<u>139 405 45</u>	<u>139 405 45</u>	<u>4 022 85</u>
<u>Liabilities</u>				
Due to other units	-	123 534 54	123 534 54	-
Due to other funds	<u>4 022 85</u>	<u>15 870 91</u>	<u>15 870 91</u>	<u>4 022 85</u>
Total Liabilities	<u>4 022 85</u>	<u>139 405 45</u>	<u>139 405 45</u>	<u>4 022 85</u>
<u>TOTAL – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank and investments	964 588 70	18 412 390 85	18 011 527 55	1 365 452 00
Taxes receivable	<u>5 817 789 16</u>	<u>18 939 107 20</u>	<u>18 618 079 39</u>	<u>6 138 816 97</u>
Total Assets	<u>6 782 377 86</u>	<u>37 351 498 05</u>	<u>36 629 606 94</u>	<u>7 504 268 97</u>
<u>Liabilities</u>				
Due to other units	4 423 670 03	16 039 995 80	15 563 156 68	4 900 509 15
Due to other funds	<u>2 358 707 83</u>	<u>2 693 422 86</u>	<u>2 448 370 87</u>	<u>2 603 759 82</u>
Total Liabilities	<u>6 782 377 86</u>	<u>18 733 418 66</u>	<u>18 011 527 55</u>	<u>7 504 268 97</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

CURRENT TAX COLLECTION FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2004

Cash in bank and investments – beginning of year	<u>960 565 85</u>
Cash receipts:	
Tax collections:	
2003 tax roll	5 463 186 34
2004 tax roll	12 800 290 23
Interest income	<u>9 508 83</u>
Total cash receipts	<u>18 272 985 40</u>
Total beginning balance and cash receipts	<u>19 233 551 25</u>
Cash disbursements:	
Township General Fund	2 033 677 06
Township Downtown Development Authority Fund	149 942 08
Township Chapter 20 Drain Fund	237 968 07
Township Rosemary Court Debt Service Fund	10 912 75
Bay County	6 233 950 67
Bay Metro	274 578 22
Delta College	838 193 52
Bay Arenac Intermediate School District	2 061 324 26
Bay City School District	779 944 93
Essexville-Hampton School District	5 238 985 74
Refunds of overpayments	<u>12 644 80</u>
Total cash disbursements	<u>17 872 122 10</u>
Cash in Bank and Investments – End of Year	<u>1 361 429 15</u>

CHARTER TOWNSHIP OF HAMPTON
Bay County, Michigan

AGENCY FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2004

Cash in bank – beginning of year	<u>4 022 85</u>
Cash receipts:	
Delinquent property taxes	1 855 53
Mobile home court fees	13 857 00
P.I.L.O.T.	<u>123 692 92</u>
Total cash receipts	<u>139 405 45</u>
Total beginning balance and cash receipts	<u>143 428 30</u>
Cash disbursements:	
Township General Fund	13 461 91
Township Road Fund	1 431 88
Township Downtown Development Authority Fund	977 12
Bay County	34 107 10
Essexville-Hampton School District	61 77
Bay City School District	2 676 10
Bay Metro	1 652 62
Bay Arenac Intermediate School District	10 935 84
Delta College	5 574 60
State of Michigan	<u>68 526 51</u>
Total cash disbursements	<u>139 405 45</u>
Cash in Bank – End of Year	<u><u>4 022 85</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 3, 2005

To the Township Board
Charter Township of Hampton
Bay County, Michigan

We have audited the financial statements of the Charter Township of Hampton for the year ended December 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Hampton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Hampton
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended December 31, 2004. The implementation of this pronouncement for the Charter Township of Hampton began with the year ended December 31, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2004.

To the Township Board
Charter Township of Hampton
Bay County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants